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Special:

Circular Letter

TO: CONTRACTING AGENCY HEALTH BENEFITS OFFICERS AND
ASSISTANT HEALTH BENEFITS OFFICERS

SUBJECT: CONTRACTING AGENCY MINIMUM EMPLOYER CONTRIBUTION
CALCULATION FOR 2009

Change in the Minimum Employer Contribution Calculation Beginning January 1, 2009

The purpose of this Circular Letter is to inform you that the calculation of the Minimum Employer Contribution will change beginning January 1, 2009. In order to ensure use of this contribution beginning in 2009, the 2009 Minimum Employer Contribution will be increased based on the medical care component of the 2007 Consumer Price Index. For Calendar Year 2009 the minimum Contribution will be \$101.00.

Background

Section 22892 of the Public Employees' Medical and Hospital Care Act (PEMHCA) establishes the contracting agencies' minimum health premium contribution for their participating active membership. It states, "Commencing January 1, 2009, the employer contribution shall be adjusted annually by the board to reflect any change in the medical care component of the Consumer Price Index and shall be rounded to the nearest dollar." The following chart displays the annual increases to employer minimum contributions for active members as described in the law.

Calendar Year	Annual Adjustment to Employer Minimum Contribution (Active)
Pre-2004	\$16.00
2004	\$32.20
2005	\$48.40
2006	\$64.60
2007	\$80.80
2008	\$97.00
2009	CPI-Med Component

The value of the Minimum Employer Contribution is established as a specific dollar value, with specified increases from Calendar Years 2004 through 2008. Starting in 2009 it is a calculated adjustment based in the Medical Component of the Consumer Price Index.

Discussion

The US Bureau of Labor Statistics released in January 2008 that the annual percentage change in the medical care component of the Consumer Price Index (CPI-U) for 2007 was 4.4%. Medical care rates of inflation for the other years are provided in the table below for comparison purposes.

Medical Care Inflation

Year	Index	Percent Change
2004	310.100	4.4%
2005	323.200	4.2%
2006	336.200	4.0%
2007	351.054	4.4%

Using the 4.4% increase in the medical care component of the CPI-U, the Minimum Employer Contribution for Calendar Year 2009 is \$101.00 ($\$97.00 \times 4.4\% = \4.26 . $\$4.26 + \$97.00 = \$101.26$. Rounded to \$101.00). **This adjustment will become effective January 1, 2009.**

If you have any questions about the information provided in this Circular Letter, please contact the CalPERS Employer Contact Center at **888 CalPERS** (or 888-225-7377).

Sincerely,

Holly A. Fong, Chief
Office of Employer and Member Health Services

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